

‘SECTION 25’ STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE RESERVES

1. Introduction

- 1.1 The council has a legal duty to set a balanced budget and must take all reasonable factors into account when doing so. Section 25 of the Local Government Act 2003 requires that a local authority’s Chief Finance Officer (Section 151 Officer) must report to Full Council on the following elements of the budget proposals when the Budget is being considered and the Council Tax is being set:
- the robustness of the estimates made for the purposes of the budget calculations; and
 - the adequacy of the proposed financial reserves.
- 1.2 This statement is given in respect of the 2025/26 budget setting process for Swale Borough Council and sets out my view as Section 151 officer as to the robustness of the proposed budget for 2025/26, the medium term financial plan, and the adequacy of reserves. It needs to be considered alongside the wider context contained with the budget report. Cost pressures are not being offset by increases in government funding or by relaxing the limits on council tax setting or on statutory fees and charges. The council is faced with using reserves to balance the budget in the short term, but permanent savings to costs and services will be required in the medium term to align expenditure with income and resources.
- 1.3 This council has a robust track record of sound financial reporting and delivery of unqualified financial statements, however the audit findings reported by our external auditor Grant Thornton for both the main audit and the value for money audit have highlighted the need to develop a savings delivery plan to reduce the reliance on reserves and promote sustainability.

2. Robustness of estimates

- 2.1 The council has a good track record of managing within budget and the budget for 2025/26 shows a balanced position, however once again this relies on a contribution from reserves to deliver the balanced position. Details of how this has been achieved are set out in the budget report, which also forecasts that the future years’ position will worsen as costs increase and external funding remains uncertain and is estimated to reduce.
- 2.2 The announcement by the government that the long-awaited reform of local government funding is scheduled to begin ahead of the settlement for 2026/27 is welcome news as the plan is to “direct funding where is it most needed, based on an up-to-date assessment of need and local resources”. Swale received a share of the new Recovery Grant for 2025/26, with awards based on deprivation statistics it is hoped that this is an indication that funding will be made available in the future. However, this is offset with the announcement of the business rate reset, which is a significant risk to Swale given the level of growth achieved since the localisation of business rates. Assurance has been given that transitional arrangements will be in place for councils

Appendix III

most affected by the reset and so the current medium term plan assumes no change to the business rate income estimate at this time.

- 2.3 The significant budget gaps estimated from 2026/27 onwards need to be addressed by taking difficult decisions to reduce expenditure and service delivery, manage growth expectations to help facilitate the delivery of a balanced and sustainable budget position. The underlying principle of the corporate plan is one of financial sustainability and so members need to ensure that decisions taken on setting a budget adhere to this principle.
- 2.4 The drafting of the budget is subject to a range of risk factors, these are reported in more detail in Appendix IX.

3. Adequacy of Reserves

- 3.1 Appendix VII details the planned use of reserves over the period of the medium term financial plan. It is not a sustainable position beyond 2027/28 when the council's reserves will be depleted if a deliverable savings plan is not put in place. Some of the risk to the use of reserves is due to the uncertainty of government funding and assumes a loss of one off grant allocations and so could be mitigated once the outcome of the reform of local government funding is known.
- 3.2 It is my advice however, that ongoing budget savings need to be made to address the ongoing budget gap that will not be resolved with funding reform as the council's reserves will not sustain the council beyond 2027/28. A robust savings plan needs to be developed to support the drafting of the MTFP for 2026/27 to avoid future consideration of the need to issue a section 114 notice. Section 114 of the Local Government Finance Act 1988 provides the mechanism for the S151 Officer to halt council expenditure when resources are no longer sufficient to maintain or achieve a balanced financial position. The S151 Officer would only take this course of action when all options to stabilise the council's financial position had been unsuccessful.
- 3.3 This statement is drafted with consideration of the CIPFA Local Authority Resilience Index which shows the council's position on a range of measures associated with financial risk. The general findings of the 2024 index show a decrease in the level of reserves held by councils. The change in reserve balances for Swale put the council at the higher end of the risk indicators for financial stress.
- 3.4 The recent announcements regarding Local Government Devolution and Reorganisation and Kent and Medway's expression of interest to join the priority programme for strategic authorities should not be used as excuse for the council to deplete reserves in lieu of making the savings required to reduce the budget gap. The residents and businesses of Swale will continue to live and work in the borough, and will continue to require the support of their local council whatever the name or makeup of that council may be. The government have made it clear that running down of reserves and disposal of assets ahead of a planned reorganisation will not be acceptable and plan to introduce regulation to introduce spending limits and controls around disposals to address this risk.

Appendix III

4. Conclusion

- 4.1 I am of the opinion that the approach taken to the developing the 2025/26 budget meets the requirements contained within the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves for the coming financial year. However this council needs to development a savings plan to address the ongoing budget gap for future years to ensure that the need to issue a s114 notice remains remote.